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DEC 16 1994

December 16, 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Ex Parte

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: LEC Price Cap Review, CC Docket No. 94-1

Dear Mr. Caton:

In accordance with the Commission rules governing ex parte presentations, please be advised that today, Stephen Melnikoff, Sallie Westbrook, Rick Gamez and the undersigned representing Southwestern Bell met with James Coltharp, Special Advisor to Commissioner Andrew Barrett and James Casserly, Senior Legal Advisor to Commissioner Susan Ness to discuss Southwestern Bell's position regarding the LEC price cap review. SWBT presented information regarding access competition in the Houston market area, and information regarding the influence of regulation on investment incentives. Attached are the handouts provided in the meeting.

If you have any questions, please let me know.

Sincerely,

Attachments

cc: James Coltharp
James Casserly

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List A B C D E

**Southwestern Bell Position
LEC Price Cap Review**

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**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY**

- o Need a More Simple Plan**

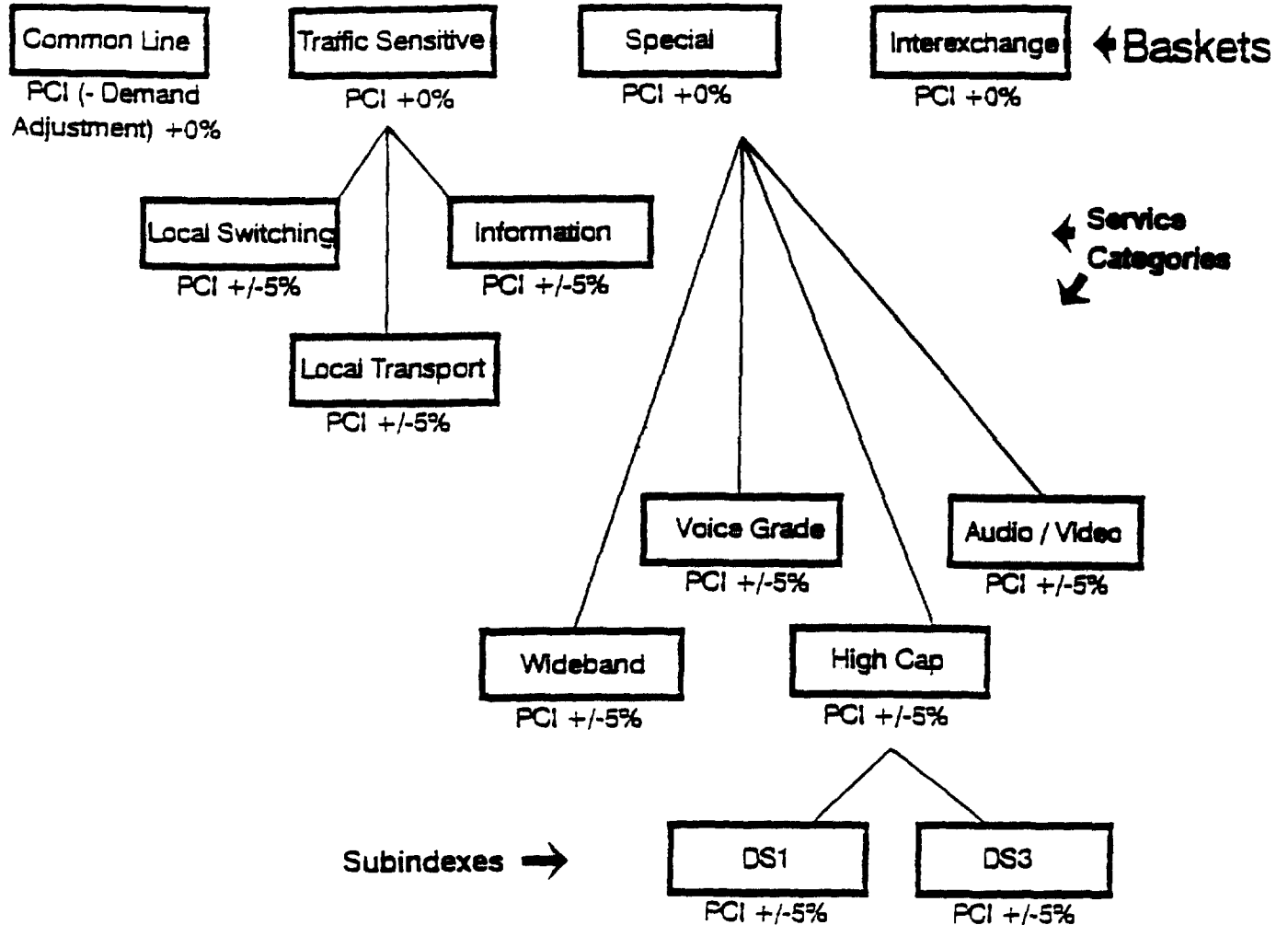
- o Need the Right Plan**
 - o One that is Rational Based on Competitive Environment and Adaptive Where There is Less Competition**
 - Competition**
 - Customer Needs**

 - o One that Allows the Market to Create Incentives for Investment in Regulated Business**
 - Eliminate Sharing / Investment Follows Opportunity**
 - SWBT Is Not Disinvesting**

 - o One that Does Not Penalize LEC for Improved Productivity, Increased Demand, or Reasonable Earnings**

LEC Price Cap Plan At Implementation (1-1-91)

Each Basket has its own Price Cap Index (PCI) = Inflation - Productivity Offset +/- Exogenous.

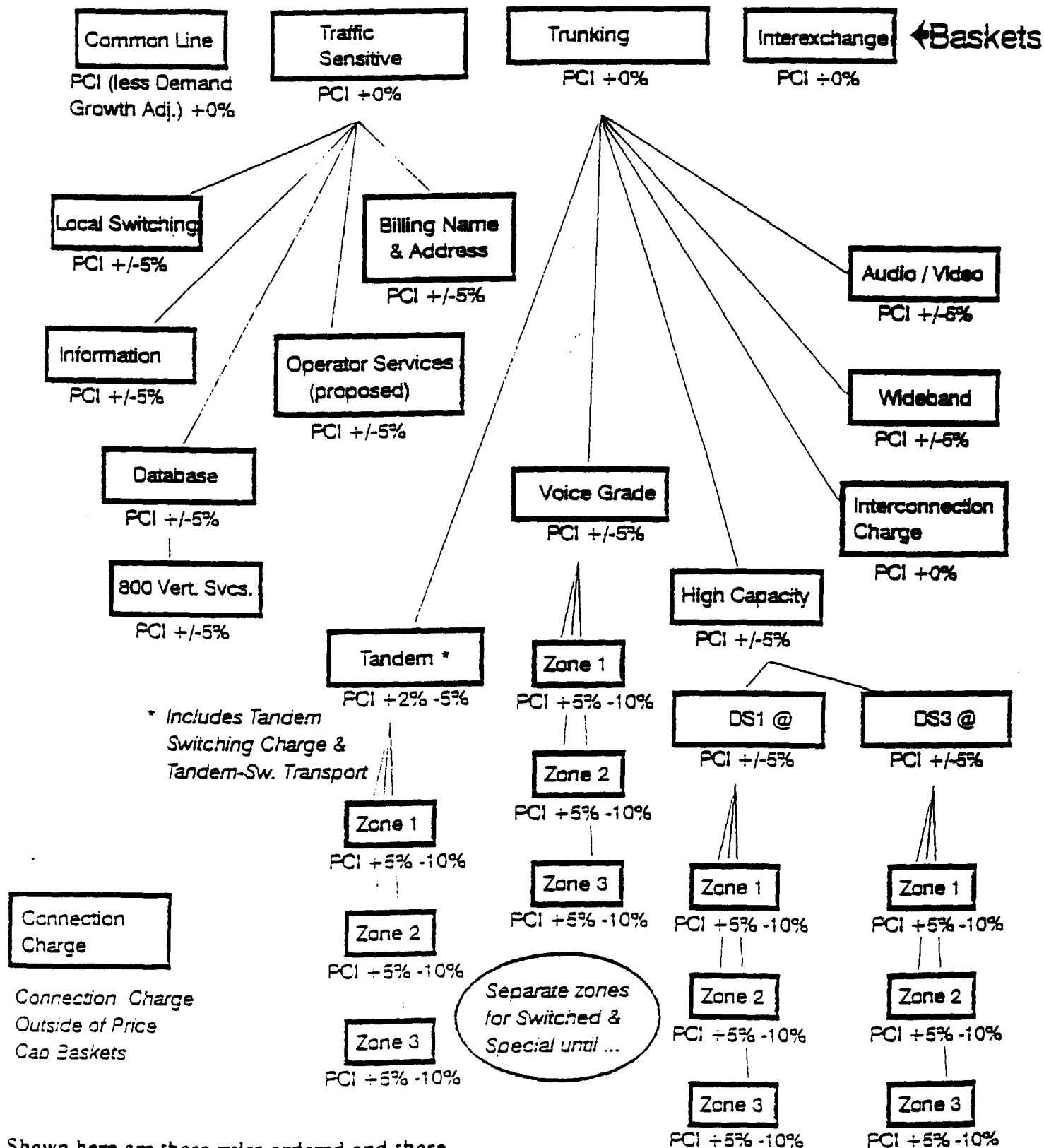


**Productivity Offset 3.3%, with 4.3% option.
50/50 Sharing, with eventual 100% sharing.**

Excluded from price caps: special construction; packet switching; PIC change charges; air-ground service; contract offerings in combination with interexchange carriers for services to the Federal Government.

LEC Price Cap Plan as of 2-1-94, with Proposed Changes

Each Basket has its own Price Cap Index (PCI) = Inflation - Productivity Offset +/- Exogenous.

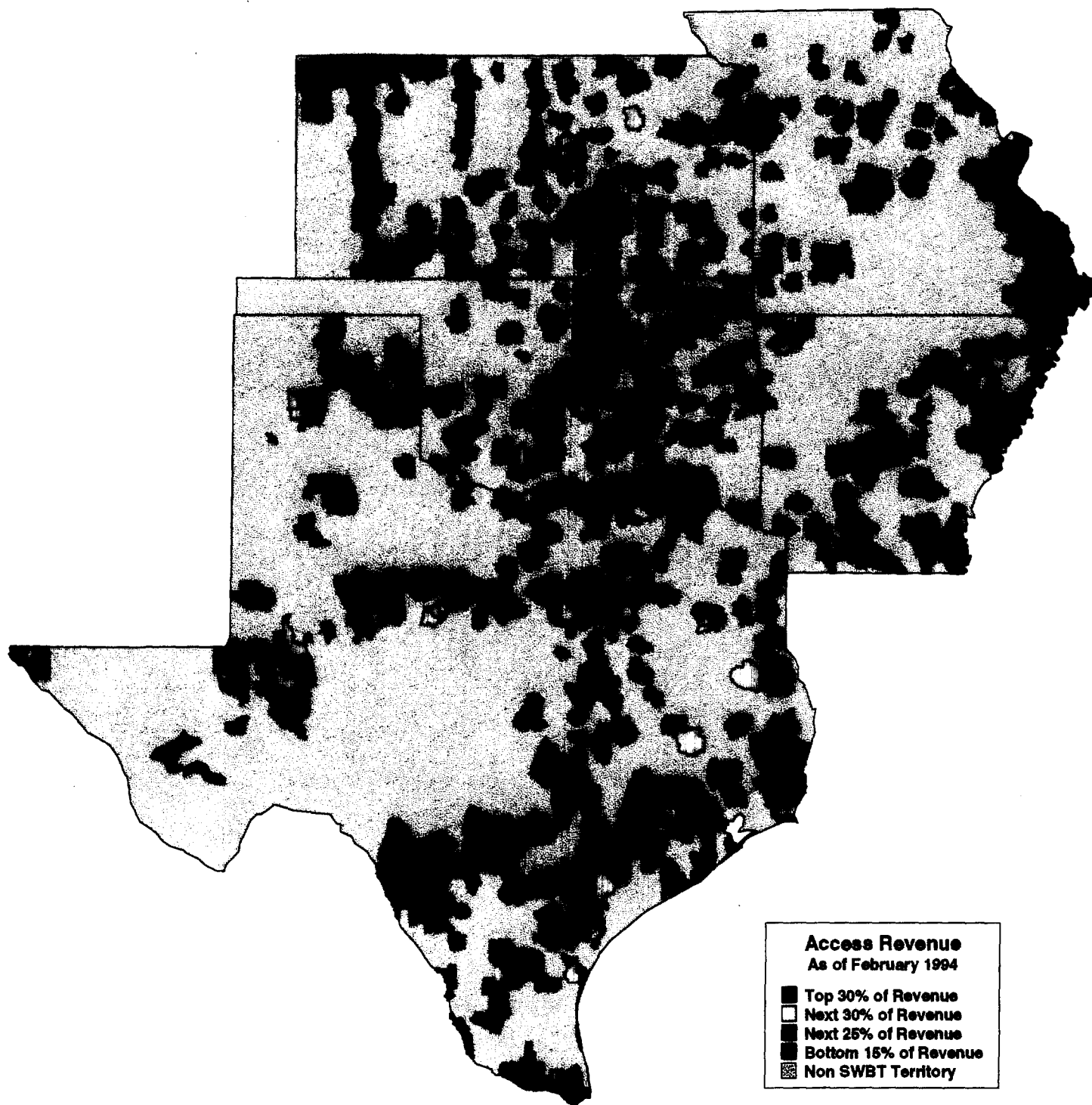


Shown here are those rules ordered and those proposed by the FCC. The transport structure is that contained in CC Docket No. 91-213. Second Report and Order, released 1-31-94.

@ Includes Direct Trunked Transport and Entrance Facilities

Southwestern Bell Territory

(Switched and Special Access Revenue)



MARKETING DEPARTMENT
GENERAL MANAGER-MARKETING SUPPORT

Houston Major Market Area

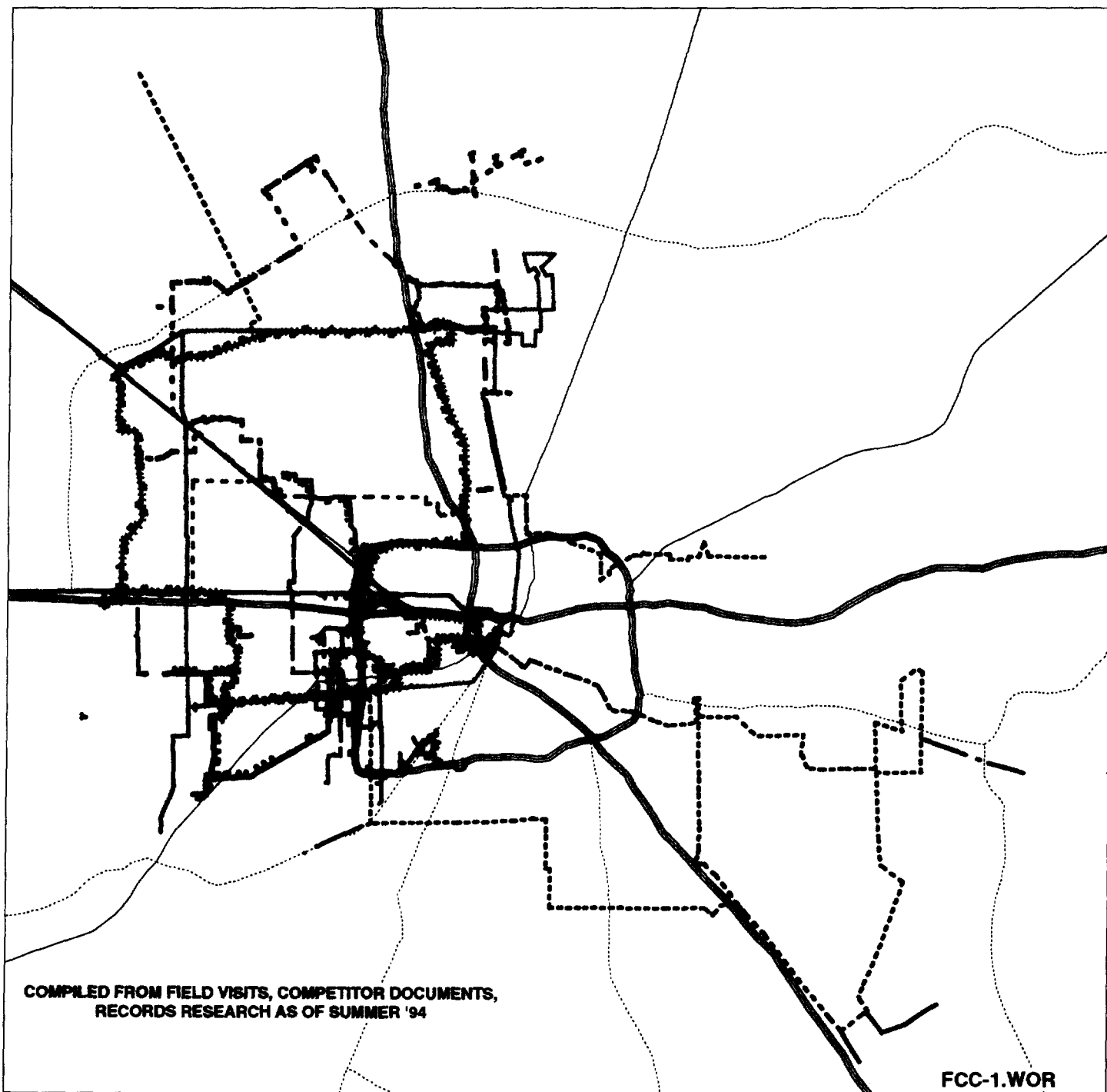
(Switched and Special Access Revenue)



MARKETING DEPARTMENT
General Manager-Marketing Support
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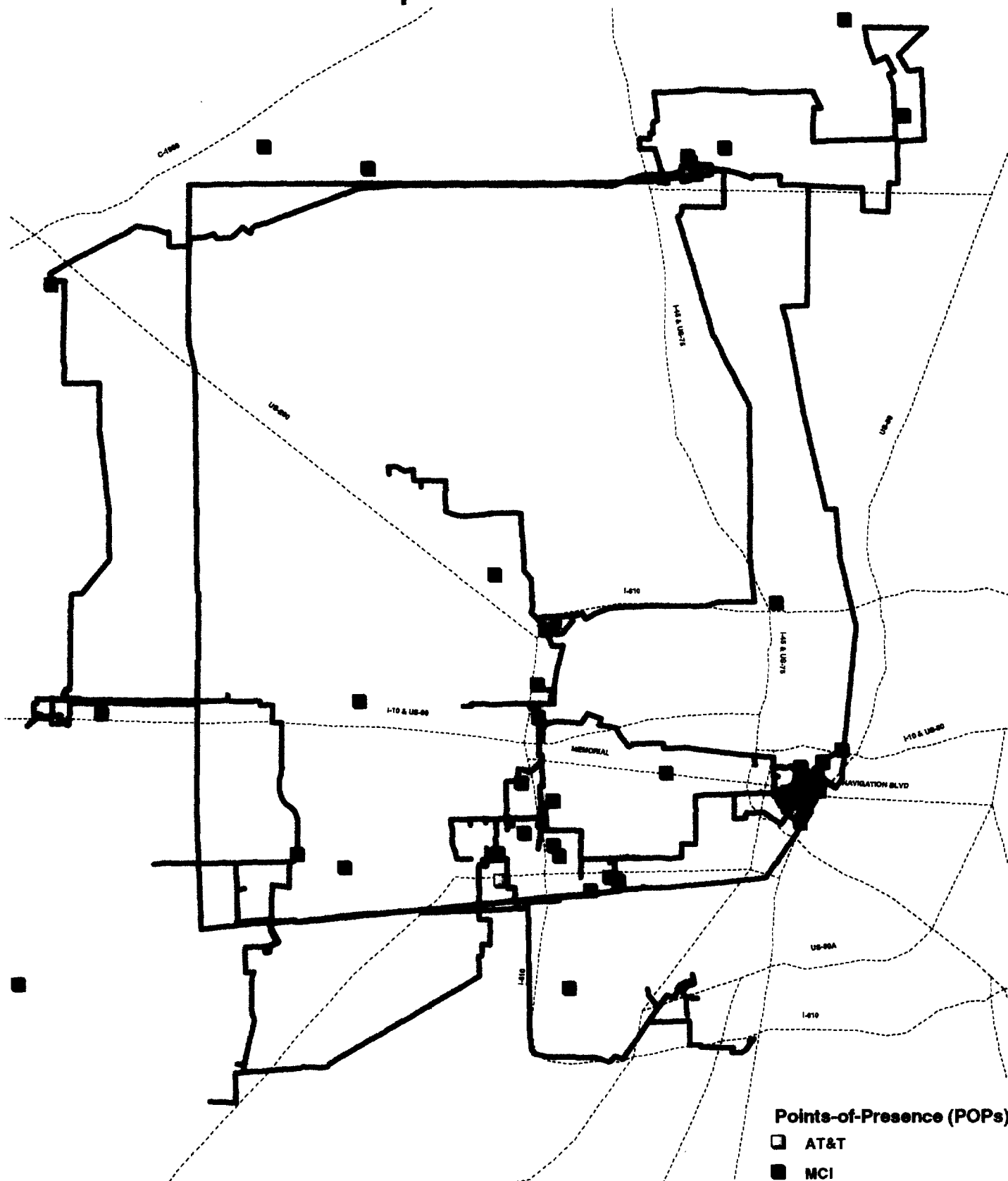
LEGEND

----- HL&P	- - - - TIME WARNER
===== PHONOSCOPE	———— US SPRINT
TELEPORT	——— MCI
———— MFS EAST TEXAS FIBERLINE
	—•—•— ELECTRA



HOUSTON COMPETITIVE NETWORKS

CAP Networks Metropolitan Houston





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sw_olson1.wor_m_olson

Points-of-Presence (POPs)

- ☐ AT&T
- ☒ MCI
- ☒ Sprint
- ☒ Others

A high-contrast, black and white aerial photograph of a city grid, likely New York City, showing a dense pattern of buildings and streets. The image is rotated 90 degrees clockwise.

Fiber
 **MFS**
Phonoscope
 **Teleport**

Competitor Fiber Routes Downtown Houston



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= Building connected to a competitor's network

DS1 & DS3 Locations

Fiber

M F S

Phonoscope

Teleport

CAP Networks Galleria Area Houston



CAP Networks Galleria- Houston



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sw_olson12.wor_m_olson

- DS1 & DS3 Locations
- = Building connected to a competitor's network
- MFS Fiber
- Phonoscope Fiber
- Teleport Fiber

LEGEND

----- HL&P

===== PHONOSCOPE

||||| TELEPORT

—— MFS

--- TIME WARNER

—— US SPRINT

—— MCI

--- EAST TEXAS FIBERLINE

--- ELECTRA

MICROWAVE

★—★ CELLULAR / PAGING

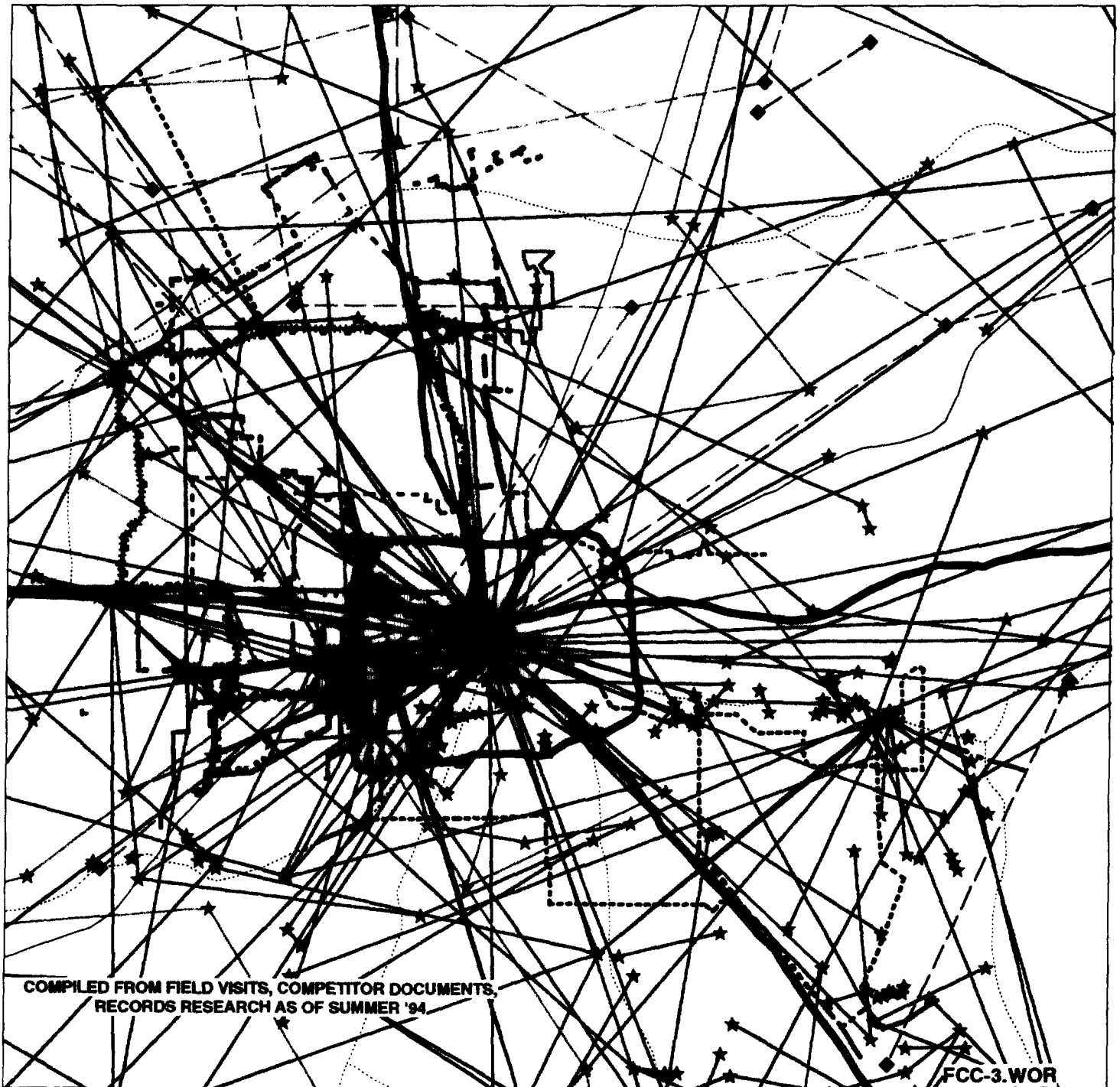
◆—◆ COMMON CARRIER

▲—▲ AT&T

★—★ END USER

◆—◆ LEC

★—★ SWBT



HOUSTON COMPETITIVE NETWORKS